Driving a High-Performance Culture

Ten Key Insights from Corporate Leadership Council Research
Sample Resources Across CLC in Support of Performance Initiatives

**CLC Human Resources**
- Building Engagement Capital
- Managing Leadership Performance Risks
- The Disengaged Star
- Benchmarking the High-Performance Organization
- Managing for High Performance and Retention

**CLC Compensation**
- Creating a Pay for Performance Organization
- Best Practices for Differentiating Performance and Pay

**CLC Learning and Development**
- Engaging Managers to Drive Employee Performance and Development
- Refocusing L&D on Business Results: Bridging the Gap Between Learning and Performance
- Unlocking the Value of On-the-Job Learning

**CLC Recruiting**
- Driving to Win-Win Selection Decisions

<table>
<thead>
<tr>
<th>Research</th>
<th>Diagnostics</th>
<th>Implementation Support</th>
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<tbody>
<tr>
<td></td>
<td>Performance Culture Diagnostic</td>
<td>E-Learning: Driving Employee Engagement through Performance Reviews</td>
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<td></td>
<td>Compensation Effectiveness Diagnostic</td>
<td>PayCoach: Developing Critical Pay Communication Skills for Managers</td>
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<td>Development and Performance Pulse Audit</td>
<td>Manager E-Learning Modules on Developing and Managing Performance</td>
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<td></td>
<td>Recruiting Effectiveness Dashboard (RED)</td>
<td>Recruiter Effectiveness Academy: Sourcing Great Candidates and Driving New Hire Performance</td>
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THE CURRENT PERFORMANCE CHALLENGE: DOING MORE WITH LESS

Expectations on Revenue Growth and Cost Pressure in the Next 12 Months
*Business Executives’ Sentiment index BESI (October 2010)*

- Executive expectations of higher revenue are driven primarily by assumptions of growth in emerging economies.
- Executives expect increases in foreign competition, and in energy and non-energy commodities costs.
- Although 68% of executives expect revenue growth, growth predictions are very modest.

**Methodology**

BESI is an index of leading economic indicators that is collected by CEB through a quarterly survey of senior executives at global organizations.

Source: Corporate Executive Board Business Barometer Survey, October 2010.
Employees face significant change, which is compounded by continuing uncertainty around global economic performance.

- Although employees are less concerned by change and upheaval than in previous years, half still expect to be impacted by some form of significant change.
- Executive confidence in the global economy has not risen much since 2009.

Lots of Change, Lots of Uncertainty

Anticipation of Organizational Change

Percentage of Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Employees</th>
<th>European Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>67%</td>
<td>68%</td>
</tr>
<tr>
<td>Q3 2010</td>
<td>57%</td>
<td>61%</td>
</tr>
<tr>
<td>Q4 2010</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Q1 2011</td>
<td>50%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Business Executives’ Confidence About Global Economic Performance in the Next 12 Months, Indexed

The Corporate Executive Board’s Business Barometer

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Positive Outlook</th>
<th>Neutral Outlook</th>
<th>Negative Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

n = 444.

1 Percentage of employees anticipating at least one of the following events to occur over the next six months: layoff of team members, significant organization restructuring, pay freeze, change of a senior leader, or change of direct manager.
The economic downturn continues to impact employee engagement trends, particularly levels of discretionary effort.

- The percentage of employees exhibiting high discretionary effort has started to climb again, but is still far below 2008 levels.
- Intent to stay, however, has remained more constant which means that low performers are often remaining in role.
- In Europe, discretionary effort is lower and intent to stay higher than the rest of the world.
Performance improvement is driven by a combination of hiring right-fit talent, and direct and indirect performance enablers.

- The first priority is to recruit the talent that meets the organization’s job needs. If this does not happen, efforts to boost performance will have little impact.

- Direct performance enablers include giving employees the information, experiences, and resources to do their jobs.

- In addition to direct performance enablers, over 40% of all performance improvements can be attributed to the indirect impact of employee engagement levers.

**Hire the Right Person**

*Impact of Candidate Fit on New Hire Engagement, Indexed*

For the purposes of illustration, new hire engagement scores were indexed on a scale for which 100 points indicates the engagement for new hires who are “confident” or “very confident” that they made the right choice in accepting the employment offer at the organization.

100 = (22%)

**Provide Employees with the Right Resources and Environment**

*Percentage of Observable Performance Improvement*

Using structural equation models, the total effect of more than 100 levers for increasing performance was decomposed into two components: the direct effect of the lever on performance (consisting of job-relevant information, experiences, or resources) and the indirect effect of the lever on performance through emotional and rational commitment. The numbers presented are the average across the top 100 levers.
Employee performance is hindered by manager and organizational barriers.

- Only 45% of employees think that their managers are effective at developing direct reports, and this figure is even lower in Europe.
- HR executives are ambivalent about the effectiveness of performance management systems, and most think that they have little impact on performance levels.
- Most employees do not understand organizational goals.
- Employees are less likely to receive manager support and encouragement for being innovative and taking risks.

### Barriers to High Performance

#### Managers Are Ineffective at Driving Performance
*Employees Rating Managers as Effective at Developing Direct Reports*

<table>
<thead>
<tr>
<th>Global</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>48%</td>
<td>42%</td>
</tr>
</tbody>
</table>

#### Employees Do Not Understand Organizational Goals
*Employees Understanding the Strategic Direction of the Organization*

<table>
<thead>
<tr>
<th>Global</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>36%</td>
<td>30%</td>
</tr>
</tbody>
</table>

#### Mixed Success for Performance Management Systems
*HR Executives Agreeing with the Following Statements*

<table>
<thead>
<tr>
<th></th>
<th>Global</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Would Not Suffer if the Performance Management System Was Removed from the Company</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>We Are Satisfied with the Performance Management Process</td>
<td>48%</td>
<td>42%</td>
</tr>
</tbody>
</table>

#### Innovation and Risk Taking are Stifled
*Employees Agreeing with the Following Statements*

<table>
<thead>
<tr>
<th></th>
<th>Global</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>My Job Provides the Opportunity to Work on Innovative Projects</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>My Organization Encourages Me to Take Risks and Support Me Even After Failure</td>
<td>28%</td>
<td>24%</td>
</tr>
</tbody>
</table>
Rather than focusing solely on the manager as the conduit for driving employee performance, maximize performance by diversifying your approach and using multiple agents.

LEVERAGE THE ORGANIZATION, TEAM, AND MANAGER TO BUILD A HIGH-PERFORMANCE CULTURE

Traditional Manager-Centric Approach
*Use Manager as the Conduit for Driving Performance*

Diversified Agent Approach
*Build Performance through Various Agents*

CLC Human Resources’ latest research on “Creating Engagement Capital” in organizations shows that the organization-related (9%) and team-related (6%) activities matter as much as manager-related (7%) activities in driving long-term employee discretionary effort.
TEN IMPERATIVES FOR DRIVING A HIGH-PERFORMANCE CULTURE BASED ON CLC RESEARCH

1. Hire for the right fit
2. Create greater clarity between roles and objectives
3. Clarify the link between pay and performance
4. Help managers provide constructive feedback
5. Provide high-impact on-the-job-learning opportunities
6. Empower employees to impact the organization
7. Build connections that allow employees to better execute work activities
8. Align employee interests with job opportunities
9. Remove organizational barriers to manager effectiveness and impact
10. Redirect leader behaviors to meet changing business needs
When organizations make the wrong selection decision, new hire performance suffers.

- These lower-performing new hires will also be less engaged and less likely to stay.

### IMPERATIVE #1: HIRE FOR THE RIGHT FIT

#### New Hire Performance

Indexed¹

| Hiring Managers Who Are Confident “Right Decision” | Hiring Managers Who Are Not Confident “Wrong Decision” |
| 100 | 76 |

\[ \Delta = (24\%) \]

#### New Hire Engagement

Indexed²

| New Hires Who Are Confident “Right Decision” | New Hires Who Are Not Confident “Wrong Decision” |
| 100 | 78 |

\[ \Delta = (22\%) \]

#### New Hire Intent to Stay

Indexed³

| New Hires Who Are Confident “Right Decision” | New Hires Who Are Not Confident “Wrong Decision” |
| 100 | 54 |

\[ \Delta = (46\%) \]

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¹ For the purposes of illustration, new hire performance scores were indexed on a scale for which 100 points indicates the performance for new hires who report to hiring managers who are “confident” or “very confident” that they are a good hire for the organization.

² For the purposes of illustration, new hire engagement scores were indexed on a scale for which 100 points indicates the engagement for new hires who are “confident” or “very confident” that they made the right choice in accepting the employment offer at the organization.

³ For the purposes of illustration, new hire intent-to-stay scores were indexed on a scale for which 100 points indicates the intent to stay for new hires who are “confident” or “very confident” that they made the right choice in accepting the employment offer at the organization.
GlaxoSmithKline pulls forward reference checking to give interviewers better quality information that improves the likelihood of selecting candidates with good job fit.

- GlaxoSmithKline found that most candidates were willing to provide references in advance of the interview, drawing on their professional networks (consultants, clients, etc.) if they did not wish to use names from within their current organization.

GlaxoSmithKline’s Front-Loaded Reference Checking Process

**Advantages of pulling forward reference check:**
- Adds value to reference check—no longer a check-the-box exercise but instead an integral part of the interview process
- Reference information can be used earlier in the hiring process
- Helps avoid bad hiring decisions through “too little” or “too late” information
- Reduces risk of recruiters—reluctant to waste time already invested in candidate—turning a “blind eye” to bad references

**Action Steps for Boosting Reference-Checking Effectiveness**

1. Solicit candidate referees prior to hiring manager interview.
2. Ask candidates to review and accept waiver that limits risk of legal repercussions for referees and their organizations.
3. Send referees a 10-minute, online feedback questionnaire about the candidate.
4. Receive completed responses from referees.
5. Aggregate questionnaire responses to create 360-degree candidate overview.
6. Compile guidance for hiring managers on how to use report and suggested areas to focus on in interview.

Members of CLC Recruiting can access the full GlaxoSmithKline case study via this link: https://rr.executiveboard.com/Members/ResearchAndTools/Abstract.aspx?cid=100084102

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Employees who feel empowered to impact the organization in a meaningful way are more committed than other employees.

- Empowering employees to contribute to organizational success builds trust within the workforce and belief in day-to-day work.

**IMPERATIVE #6: EMPOWER EMPLOYEES TO IMPACT THE ORGANIZATION**

Percentage Difference in Commitment Levels of Employees Who Do or Do Not Feel Enabled Versus the Average

<table>
<thead>
<tr>
<th>Statement</th>
<th>More Directive/</th>
<th>Less Directive/</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Have the Authority to Make Decisions About My Work</td>
<td>20%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>I Can Influence the Way Work is Done in My Department</td>
<td>21%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>I Can Influence Decisions Made in My Department</td>
<td>21%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>I Feel Enabled to Offer Ideas to Improve My Organization’s Outcomes</td>
<td>23%</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

n = 11,063.
FACILITATING EMPLOYEE-DRIVEN IDEA GENERATION

1. Millennium bcp’s “One Thousand Ideas” Portal

Any employee can submit ideas to the intranet portal. Ideas can include open submission on any topic, but Millennium bcp also requests ideas to solve specific challenges at the bank to ensure focus on key business needs.

Submitted ideas are posted on the portal and voted on by visitors to the site. The visibility and peer voting drives the quality of submitted ideas constructively because peers—not distant senior management—provide input on the ideas.

This peer voting process allows even employees who do not directly submit ideas to the site to voice their opinions and contribute to Millennium bcp’s success.

2. Recognition Workshop

Overview
One-day, annual off-site working session of employees with the best ideas as well as senior management. Rather than a traditional award ceremony, the workshop is a working group format in which participants partner to inform innovation and the “One Thousand Ideas” program, and to empower employees to innovate on a day-to-day basis.

Objectives
1. Credit authors and acknowledge the best contributions.
2. Build Millennium bcp’s culture of innovation by detailing the program’s impact on the organization and providing tools that allow authors to further act as ambassadors of an innovative, collaborative culture.
3. Improve the “One Thousand Ideas” program via working sessions that generate inspiration and new methods.

Members of CLC Human Resources can access the full Millennium bcp case study via this link: https://clc.executiveboard.com/Members/ResearchAndTools/Abstract.aspx?cid=100240422